

HASLETT PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 23, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Haslett Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Haslett Public Schools

August 23, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2007, on our consideration of Haslett Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haslett Public Schools' basic financial statements. The additional information on pages 28 to 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costeniser & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2006-07 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This section of the Haslett Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007.

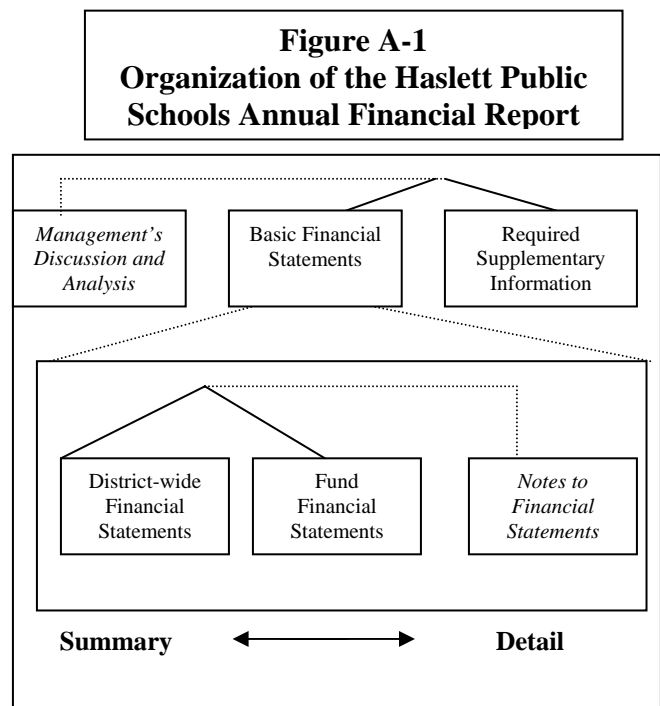
FINANCIAL HIGHLIGHTS

- Governmental funds revenues increased 4.4 percent to \$33.3 million. Expenditures remained fairly constant at \$36.1 million with a small increase of 0.1 percent.
- General Fund revenues were \$27.1 million, \$360,000 less than General Fund expenditures and transfers.
- State Aid Foundation Allowance increased by \$210 per student to \$7,243 per student.
- The District's fall student count decreased slightly to 2,905 pupils, a decrease of 15 students over last year.
- The District participates in the School Bond Loan Fund, which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF can, however, create a net deficit in the district-wide financial statements in the short term, with future debt millages restoring the net assets of the District once the bonded debt is reduced. The District reduced its outstanding long-term debt \$1.2 million or 1.7 percent.
- The total taxable value of property in the District increased 6.1 percent. The five-year average for taxable value increases remains strong at 6.6 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
Scope	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> * Statement of net assets * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Haslett Public Schools' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) - The District's *combined* net deficit increased by \$323,977 during the year. The combined net deficit was more on June 30, 2007, than the year before, increasing from (\$11.65) million to (\$11.97) million.

The District's net deficit results from participating for many years in the School Bond Loan Fund (SBLF) program. This program allows districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the SBLF, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SBLF. It is projected that the District will begin repaying the SBLF in 2012-13 and over the subsequent years will eliminate the District's deficit. The District has been in the SBLF for over 35 years. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

Debt Levy

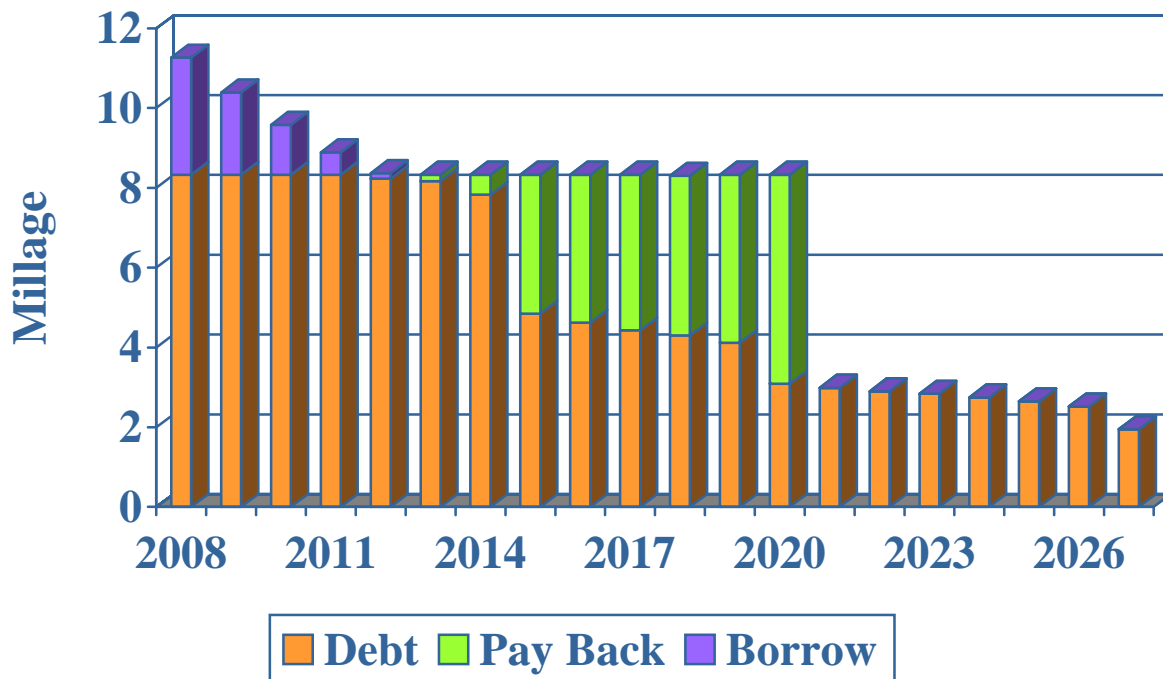


Table A-3		
Haslett Public Schools Net Assets		
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 6,208,080	\$ 8,188,454
Capital assets, net of depreciation	<u>55,108,263</u>	<u>55,873,365</u>
Total assets	<u>61,316,343</u>	<u>64,061,819</u>
Current liabilities	7,555,236	8,685,755
Long-term debt outstanding	64,905,146	66,222,609
Other long-term liabilities	<u>827,641</u>	<u>801,158</u>
Total liabilities	<u>73,288,023</u>	<u>75,709,522</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	(12,964,894)	(13,012,335)
Restricted	452,779	627,237
Unrestricted	<u>540,435</u>	<u>737,395</u>
Total net assets (deficit)	<u>\$ (11,971,680)</u>	<u>\$ (11,647,703)</u>

Table A-4		
Changes in Haslett Public Schools Net Assets		
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,939,457	\$ 1,759,929
Federal and state categorical grants	1,339,500	1,268,020
General revenues:		
Property taxes	6,851,258	6,425,255
State aid - unrestricted	19,939,229	19,202,113
Other	<u>3,220,494</u>	<u>3,175,731</u>
Total revenues	<u>33,289,938</u>	<u>31,831,048</u>
Expenses:		
Instruction	13,863,766	12,923,996
Support services	11,068,247	11,099,746
Community services	827,906	916,072
Outgoing transfers and other transactions	1,088,015	761,377
Food services	1,033,805	984,285
Athletics	615,090	632,603
Interest on long-term debt	3,052,912	2,951,051
Unallocated depreciation	<u>2,064,174</u>	<u>1,917,704</u>
Total expenses	<u>33,613,915</u>	<u>32,186,834</u>
Increase (decrease) in net assets	<u>\$ (323,977)</u>	<u>\$ (355,786)</u>

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Connection, and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state per pupil foundation allowance increased \$210 per student to \$7,243.
- Food Service operated at a deficit of \$29,066 on revenues of \$1,004,739.
- Kids Connection operated at a net profit of \$33,199 on revenues of \$580,740.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$3.1 million.

The General Fund's fund balance decreased \$360,000 to \$2.2 million.

For bond issues, the fund balance increases when the bonds are sold, and the fund balance decreases when construction expenses are incurred. The 2001 Bond Issue Capital Projects Fund was completed and closed out at year end.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2006-07, these budget amendments included:

- Changes adopted in the third and fourth quarters of the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District's original budget was adopted with a deficit of \$99,827. Budget amendments approved in February and June of 2006 called for budget deficits of \$205,816 and \$294,787 respectively. Actual expenditures exceed actual revenues by \$359,959 at year-end. Actual budget variance at year-end June 30, 2007 was .24 percent.

- Actual revenues were \$33,000 higher than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual expenditures were \$102,000 higher than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual other financing sources and uses were \$4,000 lower than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District had invested almost \$73.0 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$2.0 million.

Table A-5		
Haslett Public Schools Capital Assets		
	2007	2006
Land	\$ 330,000	\$ 330,000
Buildings and additions	63,231,561	62,487,983
Equipment and furniture	9,220,279	9,156,445
Subtotal	72,781,840	71,974,428
Accumulated depreciation	17,943,393	16,101,063
Total	<u>\$ 54,838,447</u>	<u>\$ 55,873,365</u>

The District completed and closed out the 2001 Capital Projects Bond Issue Fund during 2006-07.

Long-term Debt

At year-end the District had \$69.8 million in general obligation bonds and other long-term debt outstanding – a net reduction of 1.7 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-6		
Haslett Public Schools Outstanding Long-term Debt		
<i>(in millions of dollars)</i>		
	2007	2006
General obligation debts (financed with property taxes)	\$ 68.7	\$ 70.2
Other	1.1	0.8
Total	<u>\$ 69.8</u>	<u>\$ 71.0</u>

- The District continued to pay down its debt, retiring \$3.9 million of outstanding bonds.
- The District borrowed \$2.2 million from the School Bond Loan Fund during 2006-07. This leaves an outstanding SBLF balance of \$9.7 million at year-end.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Student enrollment projections continue to be a concern for the District. Negative variances in the actual fall student counts could cause the District to have to make a downward adjustment to current revenue projections.
- The governor has not signed the State budget for 2007-08. Our 2007-08 budget was adopted using a \$0 per student foundation allowance increase. Unless a budget compromise is reached, the State is facing a \$1.8 billion deficit that could force further cuts and a possible pro-ration in the foundation allowance for 2007-08.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Haslett Public Schools, 5593 Franklin Street, Haslett, Michigan 48840.

**HASLETT PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,690,689
Investments	648,958
Receivables:	
Other governmental units	3,649,209
Taxes	1,324
Other	81,339
Inventories	42,194
Prepaid expenditures	94,367
TOTAL CURRENT ASSETS	6,208,080
NONCURRENT ASSETS:	
Deferred charges, net of amortization	269,816
Capital assets	72,781,840
Less accumulated depreciation	(17,943,393)
TOTAL NONCURRENT ASSETS	55,108,263
TOTAL ASSETS	\$ 61,316,343
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 528,127
Accrued interest	450,308
Accrued salaries and related items	2,374,875
Deferred revenue	173,686
Current portion of long-term obligations	3,953,000
Current portion of compensated absences and severance benefits	75,240
TOTAL CURRENT LIABILITIES	7,555,236
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	64,905,146
Noncurrent compensated absences and severance benefits	827,641
TOTAL NONCURRENT LIABILITIES	65,732,787
TOTAL LIABILITIES	73,288,023
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	(12,964,894)
Restricted - capital projects (sinking fund)	452,779
Unrestricted	540,435
TOTAL NET ASSETS (DEFICIT)	(11,971,680)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 61,316,343

See notes to financial statements.

**HASLETT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 13,863,766	\$ 190,638	\$ 848,760	\$ (12,824,368)
Support services	11,068,247	9,060	255,012	(10,804,175)
Outgoing transfers and other transactions	1,088,015			(1,088,015)
Community services	827,906	812,183		(15,723)
Food services	1,033,805	769,011	235,728	(29,066)
Athletics	615,090	158,565		(456,525)
Interest on long-term debt	3,052,912		-	(3,052,912)
Unallocated depreciation	2,064,174			(2,064,174)
Total governmental activities	<u>\$ 33,613,915</u>	<u>\$ 1,939,457</u>	<u>\$ 1,339,500</u>	<u>(30,334,958)</u>
General revenues:				
Property taxes, levied for general purposes				1,959,867
Property taxes, levied for debt service				4,469,909
Property taxes, levied for sinking fund				421,482
Investment earnings				125,810
State sources				19,939,229
Ingham ISD special education allocation				2,636,532
Other				458,152
Total general revenues				<u>30,010,981</u>
CHANGE IN NET ASSETS				<u>(323,977)</u>
NET ASSETS (DEFICIT), beginning of year				<u>(11,647,703)</u>
NET ASSETS (DEFICIT), end of year				<u><u>\$ (11,971,680)</u></u>

HASLETT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General fund	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 1,453,116	\$ 6,164	\$ 231,409	\$ 1,690,689
Investments	15,500		633,458	648,958
Receivables:				
Other governmental units	3,564,236		13,410	3,577,646
Other	81,339			81,339
Due from other funds	16,164		30,639	46,803
Inventories	40,767		1,427	42,194
Prepaid expenditures	94,367			94,367
TOTAL ASSETS	\$ 5,265,489	\$ 6,164	\$ 910,343	\$ 6,181,996

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 133,474	\$	\$ 2,284	\$ 135,758
Accrued salaries and related items	2,346,683		28,192	2,374,875
Deferred revenue	158,686		15,000	173,686
Due to other funds	30,639	6,164	10,000	46,803
Due to student groups	392,369			392,369
TOTAL LIABILITIES	3,061,851	6,164	55,476	3,123,491

	General fund	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	\$	\$	\$ 402,088	\$ 402,088
Reserved for prepaid expenditures	94,367			94,367
Reserved for inventory	40,767			40,767
Designated for subsequent year's expenditures			452,779	452,779
Undesignated	2,068,504			2,068,504
TOTAL FUND BALANCES	2,203,638		854,867	3,058,505
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,265,489	\$ 6,164	\$ 910,343	\$ 6,181,996

Total governmental fund balances:				\$ 3,058,505
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 72,781,840	
Accumulated depreciation is			(17,943,393)	54,838,447
Unamortized deferred charges				269,816
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(68,858,146)
Compensated absences				(902,881)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(450,308)
Receivables expected to be collected after September 1, 2006:				
IISD				71,563
Property taxes at June 30, 2006				1,324
Net assets (deficit) of governmental activities				\$ (11,971,680)

HASLETT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General fund	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 1,970,467	\$	\$ 4,891,390	\$ 6,861,857
Community services and tuition	891,983			891,983
Investment income	49,974	3,390	72,446	125,810
Other	534,556		971,070	1,505,626
Total local sources	3,446,980	3,390	5,934,906	9,385,276
State sources	20,390,001		41,441	20,431,442
Federal sources	653,000		194,287	847,287
Incoming transfers and other transactions	2,636,532			2,636,532
Total revenues	27,126,513	3,390	6,170,634	33,300,537
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	11,840,551			11,840,551
Added needs	1,861,709			1,861,709
Adult and community education	162,820			162,820
Total instruction	13,865,080			13,865,080
Support services:				
Pupil	2,320,833			2,320,833
Instructional staff	1,331,718			1,331,718
General administration	686,001			686,001
School administration	1,713,356			1,713,356
Business	587,238			587,238
Operations and maintenance	2,941,336			2,941,336
Transportation	847,540			847,540
Central	669,801			669,801
Other	122,057			122,057
Total support services	11,219,880			11,219,880
EXPENDITURES (Concluded):				
Current (Concluded):				
Community services:				
Recreation	\$ 351,496	\$	\$	\$ 351,496
Custody and care of children	476,410			476,410
Total community services	827,906			827,906
Outgoing transfers and other	1,088,015			1,088,015
Athletics			615,090	615,090
Food service			1,033,805	1,033,805
Capital outlay		163,937	627,818	791,755
Debt service:				
Principal retirement			3,917,000	3,917,000
Interest and fiscal charges			2,738,058	2,738,058
Total expenditures	27,000,881	163,937	8,931,771	36,096,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	125,632	(160,547)	(2,761,137)	(2,796,052)
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund			2,219,214	2,219,214
Operating transfers in			485,591	485,591
Operating transfers out	(485,591)			(485,591)
Total other financing sources (uses)	(485,591)		2,704,805	2,219,214
NET CHANGE IN FUND BALANCES	(359,959)	(160,547)	(56,332)	(576,838)
FUND BALANCES:				
Beginning of year	2,563,597	160,547	911,199	3,635,343
End of year	\$ 2,203,638	\$	\$ 854,867	\$ 3,058,505

**HASLETT PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds	\$ (576,838)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities.	
These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(2,064,174)
Capital outlay	1,031,472
Proceeds from assets sold	(3,433)
Gain on sale of capital assets	1,217
Accrued interest on bonds is recorded in the statement of activities	
when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	498,518
Accrued interest payable, end of the year	(450,308)
Proceeds and repayments of principal on long-term debt are other financing	
sources and expenditures in the governmental funds, but not in the statement of activities	
(where they are additions and reductions of liabilities)	
Principal repayment	3,917,000
Proceed from school loan revolving fund	(2,219,214)
Amortization on bond premiums	36,360
Amortization on bond discounts	(5,492)
Amortization on bond issue costs	(15,929)
Long-term interest on school bond loan fund (accrued)	(209,362)
Long-term interest on school loan revolving fund (accrued)	(153,702)
Amortization of deferred amount on bond refundings	(70,603)
Revenue is recorded on the accrual method in the statement of activities; in the	
governmental funds it is recorded on the modified accrual method and not considered available:	
Receivables, beginning of the year	(83,486)
Receivables, end of the year	72,887
Compensated absences are reported on the accrual method in the statement of activities,	
and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and severance benefits, beginning of the year	873,991
Accrued compensated absences and severance benefits, end of the year	(902,881)
Change in net assets of governmental activities	<u><u>\$ (323,977)</u></u>

**HASLETT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007**

	<u>Agency funds</u>
ASSETS	
Due from Haslett Public Schools	<u>\$ 392,369</u>
LIABILITIES	
Due to student groups	<u>\$ 392,369</u>

HASLETT PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Haslett Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting entity

The Haslett Public Schools (the "District") is governed by the Haslett Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2001 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2001 capital projects fund. The project for which the 2001 capital projects bonds were issued was considered complete on September 1, 2005.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The following is a summary of the revenue and expenditures for the 2001 capital projects bond activity since inception:

	<u>2001 Bond</u>
Revenue and other financing sources	<u>\$ 30,087,264</u>
Expenditures and transfers	<u>\$ 30,087,264</u>

The above revenue amount includes net bond proceeds of \$27,899,987.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$456,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	8.3300
Sinking fund - Homestead and non-homestead	0.7853

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Net Asset Reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$8,648,566 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$1,054,805 has been included in the calculation of unrestricted net assets.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

4. The Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MBIA - pooled short term investments	<u>\$ 648,958</u>	<u>0.0027</u>	(1)	<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

(1) The pooled short term investment fund is not rated, however MBIA as a whole is rated AAA.

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the District is MBIA. MBIA is an external pooled investment fund of “qualified” investments for Michigan school districts. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of June 30, 2007, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$2,340,158 of the District's bank balance of \$2,546,322 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts carrying amount \$1,690,689.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 330,000			\$ 330,000
Capital assets, being depreciated:				
Buildings and additions	62,487,983	743,578		63,231,561
Technology	2,828,291	176,679	183,443	2,821,527
Furniture and fixtures	3,811,908			3,811,908
Machinery and equipment	1,116,790	44,708		1,161,498
Transportation equipment	1,399,456	66,507	40,617	1,425,346
Total capital assets, being depreciated	71,644,428	1,031,472	224,060	72,451,840
Accumulated depreciation:				
Buildings and improvements	12,014,610	1,173,880		13,188,490
Technology	1,304,787	506,895	183,258	1,628,424
Furniture and fixtures	1,302,464	154,613		1,457,077
Machinery and equipment	642,095	98,001		740,096
Transportation equipment	837,107	130,785	38,586	929,306
Total accumulated depreciation	16,101,063	2,064,174	221,844	17,943,393
Net capital assets being depreciated	55,543,365	(1,032,702)	2,216	54,508,447
Net governmental capital assets	\$ 55,873,365	\$ (1,032,702)	\$ 2,216	\$ 54,838,447

Depreciation for the fiscal year ended June 30, 2007 amounted to \$2,064,174. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Other governmental units	\$ 3,649,209
Taxes	1,324
Other	<u>81,339</u>
	<u><u>\$ 3,731,872</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

NOTE 6 - NOTE PAYABLE

At June 30, 2007, the District had no balance on the state aid note. Activity for the year ended June 30, 2007 is as follows:

Balance June 30, 2006	Additions	Payments	Balance June 30, 2007
<u>\$ 900,000</u>	<u>\$ 750,000</u>	<u>\$ 1,650,000</u>	<u>\$ -</u>

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debts and other obligations currently outstanding are as follows:

1999 refunding term bonds due in annual installments of \$40,000 to \$505,000 through May 2019 with interest from 4.15% to 4.75%	\$ 4,255,000
1999 refunding term bonds due in annual installments of \$455,000 to \$475,000 from May 2020 to May 2026 with an interest rate of 4.75%	3,260,000
2001 serial bonds due in annual installments of \$675,000 to \$800,000 through May 2013 with interest from 3.65% to 4.20%	4,275,000
2001 term bonds due with a payment of \$1,200,000 on May 2023 with an interest rate of 5.00%	1,200,000
2002 refunding serial bonds due in annual installments of \$835,000 to \$1,465,000 through May 2016 with interest from 3.90% to 4.90%	9,940,000
2002 refunding term bonds due in annual installments of \$780,000 to \$820,000 from May 2017 to May 1, 2019 with an interest rate of 5.0%	2,400,000
2003 refunding term bonds due in annual installments of \$1,738,000 to \$2,106,000 from May 2008 through May 2014 with an interest rate of 3.318%	13,418,000
2005 refunding term bonds due in annual installments of \$35,000 to \$1,650,000 from May 2008 through May 2022 with interest from 3.0% to 5.0%	11,770,000
2006 refunding term bonds due in annual installments of \$55,000 to \$2,090,000 from November 2008 through May 2027 with interest from 4.0% to 4.25%	9,080,000
Less: deferred amount on bond refunding	(1,036,283)
Plus: premium on 2005 bond issuance (net)	545,396
Less: discount on 2006 bond issuance (net)	<u>(109,849)</u>
Total general obligation debt	58,997,264

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Limited obligation (Durant) bonds due in annual installments of \$14,846 to \$93,752 through May 2013 with an interest rate of 4.76%. Certain future state aid payments have been pledged as security.	<u>\$ 157,511</u>
Total bonded debt	59,154,775
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest at 4.75% at June 30, 2007	4,620,212
Borrowings from the State of Michigan under the School Loan Revolving Fund, including interest at 4.82% at June 30, 2007	5,083,159
Obligation under contract for compensated absences	206,052
Obligation under contract for severance benefits	<u>696,829</u>
Total general long-term debt	<u><u>\$ 69,761,027</u></u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2007, \$54,765,000 of bonds outstanding are considered defeased.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2007, including interest of \$23,900,186 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 3,953,000	\$ 2,509,616	\$ 6,462,616
2009	3,998,846	2,371,351	6,370,197
2010	4,042,552	2,223,341	6,265,893
2011	4,124,293	2,071,476	6,195,769
2012	4,172,068	1,914,151	6,086,219
2013-2017	16,024,752	7,255,749	23,280,501
2018-2022	11,620,000	4,065,113	15,685,113
2023-2027	11,820,000	1,489,389	13,309,389
Total	59,755,511	23,900,186	83,655,697
Due to school bond loan fund	4,620,212		4,620,212
Due to school loan revolving fund	5,083,159		5,083,159
Deferred amount on bond refunding	(1,036,283)		(1,036,283)
Unamortized premium on bond issuance	545,396		545,396
Unamortized discount on bond issuance	(109,849)		(109,849)
Accumulated compensated absences	206,052		206,052
Accumulated severance benefits	696,829		696,829
	<u>\$ 69,761,027</u>	<u>\$ 23,900,186</u>	<u>\$ 93,661,213</u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded)

An amount of \$402,088 is available in the debt service funds to service the general obligation debt.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2007:

	Compensated absences and severance benefits	General obligation bonds	Limited obligation bonds	School bond loan fund	School loan revolving fund	Total
Balance, July 1, 2006	\$ 873,991	\$62,874,529	\$157,511	\$ 4,410,850	\$2,710,243	\$71,027,124
Additions	137,928			209,362	2,372,916	2,720,206
Deletions	(109,038)	(3,877,265)				(3,986,303)
Balance, June 30, 2007	902,881	58,997,264	157,511	4,620,212	5,083,159	69,761,027
Less current portion	(75,240)	(3,953,000)				(4,028,240)
Total due after one year	<u>\$ 827,641</u>	<u>\$55,044,264</u>	<u>\$157,511</u>	<u>\$ 4,620,212</u>	<u>\$5,083,159</u>	<u>\$65,732,787</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2007 are as follows:

Receivable fund		Payable fund	
General fund	\$ 16,164	General fund	\$ 30,639
Special revenue	30,639	Capital projects	16,164
	<u>\$ 46,803</u>		<u>\$ 46,803</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007 was 16.34% through September 30, 2006 and 17.74% effective October 1, 2006 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006 and 2005 were \$2,746,064 \$2,436,740 and \$2,169,697, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other needs including health insurance.

NOTE 11 - TRANSFERS

The general fund transferred \$456,525 to the athletic and \$29,066 to the food service funds during the current fiscal year. The transfers were to subsidize operations.

NOTE 12 - SUBSEQUENT EVENTS

The District has approved borrowing \$1,700,000 for fiscal year 2007 to replace the note payable as described in Note 6.

REQUIRED SUPPLEMENTARY INFORMATION

**HASLETT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 3,161,097	\$ 3,474,446	\$ 3,446,980	\$ (27,466)
State sources	20,148,881	20,382,319	20,390,001	7,682
Federal sources	810,343	629,005	653,000	23,995
Incoming transfers and other transactions	2,458,596	2,607,612	2,636,532	28,920
Total revenues	26,578,917	27,093,382	27,126,513	33,131
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	11,532,079	11,863,853	11,840,551	23,302
Added needs	1,536,676	1,898,924	1,861,709	37,215
Adult and community education	140,900	158,212	162,820	(4,608)
Total instruction	13,209,655	13,920,989	13,865,080	55,909
Support services:				
Pupil	2,398,565	2,268,323	2,320,833	(52,510)
Instructional staff	1,531,683	1,348,295	1,331,718	16,577
General administration	675,907	690,256	686,001	4,255
School administration	1,713,539	1,713,507	1,713,356	151
Business	521,493	599,894	587,238	12,656
Operations and maintenance	2,701,575	2,848,538	2,941,336	(92,798)
Transportation	875,885	841,668	847,540	(5,872)
Central	711,482	703,196	669,801	33,395
Other	85,198	113,955	122,057	(8,102)
Total support services	11,215,327	11,127,632	11,219,880	(92,248)
EXPENDITURES (Concluded):				
Current (Concluded):				
Community services:				
Recreation	\$ 301,974	\$ 300,401	\$ 351,496	\$ (51,095)
Custody and care of children	471,493	466,978	476,410	(9,432)
Total community services	773,467	767,379	827,906	(60,527)
Outgoing transfers and other	980,705	1,082,579	1,088,015	(5,436)
Total expenditures	26,179,154	26,898,579	27,000,881	(102,302)
EXCESS OF REVENUES OVER EXPENDITURES	399,763	194,803	125,632	(69,171)
OTHER FINANCING USES:				
Operating transfers out	(499,590)	(489,590)	(485,591)	3,999
NET CHANGE IN FUND BALANCE	<u>\$ (99,827)</u>	<u>\$ (294,787)</u>	(359,959)	<u>\$ (65,172)</u>
FUND BALANCE:				
Beginning of year			2,563,597	
End of year			\$ 2,203,638	

ADDITIONAL INFORMATION

**HASLETT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects (Sinking fund)</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash	\$	\$ 213,306	\$ 18,103	\$ 231,409
Investments		188,782	444,676	633,458
Receivables:				
Other governmental units	13,410			13,410
Due from other funds	30,639			30,639
Inventories	1,427			1,427
TOTAL ASSETS	<u>\$ 45,476</u>	<u>\$ 402,088</u>	<u>\$ 462,779</u>	<u>\$ 910,343</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 2,284	\$	\$	\$ 2,284
Due to other funds			10,000	10,000
Accrued salaries and related items	28,192			28,192
Deferred revenue	15,000			15,000
TOTAL LIABILITIES	<u>45,476</u>		<u>10,000</u>	<u>55,476</u>
FUND BALANCES:				
Reserved for debt service		402,088		402,088
Designated for subsequent year's expenditures			452,779	452,779
TOTAL FUND BALANCES		<u>402,088</u>	<u>452,779</u>	<u>854,867</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,476</u>	<u>\$ 402,088</u>	<u>\$ 462,779</u>	<u>\$ 910,343</u>

HASLETT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects (Sinking fund)</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$	\$4,469,908	\$ 421,482	\$ 4,891,390
Investment income		44,329	28,117	72,446
Other	927,576	39,733	3,761	971,070
Total local sources	927,576	4,553,970	453,360	5,934,906
State sources	41,441			41,441
Federal sources	194,287			194,287
Total revenues	1,163,304	4,553,970	453,360	6,170,634
EXPENDITURES:				
Current :				
Athletics	615,090			615,090
Food service	1,033,805			1,033,805
Capital outlay			627,818	627,818
Debt service:				
Principal retirement		3,917,000		3,917,000
Interest and fiscal charges		2,738,058		2,738,058
Total expenditures	1,648,895	6,655,058	627,818	8,931,771
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(485,591)	(2,101,088)	(174,458)	(2,761,137)
OTHER FINANCING SOURCES:				
Proceeds from school bond loan fund		2,219,214		2,219,214
Operating transfers in	485,591			485,591
Total other financing sources	485,591	2,219,214		2,704,805
NET CHANGE IN FUND BALANCES		118,126	(174,458)	(56,332)
FUND BALANCES:				
Beginning of year		283,962	627,237	911,199
End of year	\$	\$ 402,088	\$ 452,779	\$ 854,867

**HASLETT PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
(with comparative totals for June 30, 2006)**

	Food service fund	Athletics fund	Total	
			2007	2006
ASSETS				
Accounts receivable - other governmental units	\$ 13,410	\$	\$ 13,410	\$ 9,784
Inventory - food service	1,427		1,427	7,788
Due from general fund	19,459	11,180	30,639	21,247
TOTAL ASSETS	\$ 34,296	\$ 11,180	\$ 45,476	\$ 38,819
LIABILITIES				
Liabilities:				
Accounts payable	\$	\$ 2,284	\$ 2,284	\$ 908
Accrued salaries and related items	19,296	8,896	28,192	25,493
Deferred revenue	15,000		15,000	12,418
TOTAL LIABILITIES	\$ 34,296	\$ 11,180	\$ 45,476	\$ 38,819

**HASLETT PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(with comparative totals for the year ended June 30, 2006)**

	Food service fund	Athletics fund	Total	
			2007	2006
REVENUES:				
Sale of lunches and milk	\$ 769,011	\$	\$ 769,011	\$ 733,207
Federal aid	194,287		194,287	182,648
State aid	41,441		41,441	33,308
Miscellaneous				
Athletic events		158,565	158,565	138,796
Total revenues	1,004,739	158,565	1,163,304	1,087,959
EXPENDITURES:				
Salaries and wages	293,622	296,012	589,634	592,335
Employee benefits	180,472	80,968	261,440	250,944
Supplies and other expenses	13,566	202,032	215,598	219,966
Food costs	468,669		468,669	457,894
Capital outlay	4,326	36,078	40,404	27,090
Indirect costs	73,150		73,150	68,659
Total expenditures	1,033,805	615,090	1,648,895	1,616,888
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,066)	(456,525)	(485,591)	(528,929)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	29,066	456,525	485,591	528,929
NET CHANGE IN FUND BALANCES				
FUND BALANCES, beginning of year				
FUND BALANCES, end of year	\$	\$	\$	\$

**HASLETT PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
(with comparative totals for June 30, 2006)**

	Nonmajor funds							Totals	
ASSETS	1996	1999	2001	2002	2003	2005	2006	2007	2006
Cash	\$ 93,514	\$ 12,935	\$ 28,833	\$ 28,360	\$ 20,726	\$ 15,298	\$ 13,640	\$ 213,306	\$ 183,669
Investments	16,145	24,850	78,303	41,037	28,190	92	165	188,782	100,293
Due from other funds									8,000
TOTAL ASSETS	\$ 109,659	\$ 37,785	\$ 107,136	\$ 69,397	\$ 48,916	\$ 15,390	\$ 13,805	\$ 402,088	\$ 291,962
LIABILITIES AND FUND BALANCES									
Liabilities:									
Due to other funds	\$	\$	\$	\$	\$	\$	\$	\$	\$ 8,000
Fund balances:									
Reserved for debt service	109,659	37,785	107,136	69,397	48,916	15,390	13,805	402,088	283,962
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,659	\$ 37,785	\$ 107,136	\$ 69,397	\$ 48,916	\$ 15,390	\$ 13,805	\$ 402,088	\$ 291,962

HASLETT PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(with comparative totals for the year ended June 30, 2006)

	Nonmajor funds							Totals	
	1996	1999	2001	2002	2003	2005	2006	2007	2006
REVENUES:									
Local sources:									
Current taxes	\$ 482,871	\$ 402,393	\$ 939,286	\$ 938,541	\$ 660,184	\$ 590,408	\$ 456,225	\$ 4,469,908	\$ 4,205,290
Other	13,395	4,107	5,515	9,734	4,276	1,804	902	39,733	25,843
Interest on investments	8,250	2,945	12,650	8,408	5,615	3,522	2,939	44,329	29,112
Total revenues	504,516	409,445	957,451	956,683	670,075	595,734	460,066	4,553,970	4,260,245
EXPENDITURES:									
Redemption of bonds	460,000	40,000	675,000	1,025,000	1,682,000	35,000		3,917,000	4,068,912
Interest on bonds	29,900	348,553	251,888	595,170	501,018	561,675	448,322	2,736,526	2,613,451
Bond issuance costs									129,751
Other debt retirement expenses	250	300	250	250		241	241	1,532	2,848
Total expenditures	490,150	388,853	927,138	1,620,420	2,183,018	596,916	448,563	6,655,058	6,814,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES									
	14,366	20,592	30,313	(663,737)	(1,512,943)	(1,182)	11,503	(2,101,088)	(2,554,717)
OTHER FINANCING SOURCES (USES):									
Proceeds from refunding debt									9,080,000
Bond discount									(115,341)
Payments to escrow agent									(9,016,350)
Proceeds from school bond loan fund				695,691	1,523,523			2,219,214	2,685,769
Total other financing sources				695,691	1,523,523			2,219,214	2,634,078
NET CHANGE IN FUND BALANCES	14,366	20,592	30,313	31,954	10,580	(1,182)	11,503	118,126	79,361
FUND BALANCES, beginning of year	95,293	17,193	76,823	37,443	38,336	16,572	2,302	283,962	204,601
FUND BALANCES, end of year	\$ 109,659	\$ 37,785	\$ 107,136	\$ 69,397	\$ 48,916	\$ 15,390	\$ 13,805	\$ 402,088	\$ 283,962

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Class of 1997	\$ 3,053	\$	\$ 3,053	\$
Class of 2004	574		574	
Class of 2005	1,082		1,082	
Class of 2006	7,302		3,752	3,550
Class of 2007	6,765	6,494	5,998	7,261
Class of 2008	5,141	25,496	23,865	6,772
Class of 2009	2,464	6,221	3,233	5,452
Class of 2010		961	452	509
Athletic Boosters:				
Baseball Boosters	677	2,580	2,131	1,126
Basketball Boosters - Girls	40	2,971	1,988	1,023
Basketball Boosters - Boys	3,397	7,687	7,711	3,373
Cheerleading Boosters		1		1
Cross Country Boosters	1,536	960	15	2,481
Football Boosters	2	6,760	6,527	235
Golf Boosters - Boys		1,190	785	405
Golf Boosters - Girls	383	505	55	833
Gymnastics Boosters		358	188	170
Soccer Boosters - Boys	2,843	1,071	1,665	2,249
Soccer Boosters - Girls	956	1,415	2,112	259
Softball Boosters - Girls	151	2,860	2,030	981
Swimming Boosters - Boys	2,700	6,105	7,517	1,288
Swimming Boosters - Girls	2,476	4,026	5,261	1,241
Tennis Boosters - Boys	190	1,874	1,468	596
Tennis Boosters - Girls	277	488		765
Track Boosters - Boys	1,347		1,200	147
Volleyball Boosters - Girls	331	446	75	702
Wrestling Boosters		118		118

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
High School:				
Art	\$ 434	\$ 3,374	\$ 3,627	\$ 181
Band	68		64	4
Baseball Camp	645			645
Basic Classroom - Angell	1,185	274	593	866
Basketball	12			12
 Belnap Memorial Fund	 560			 560
Bowling	910	2,605	2,846	669
M Bray Memorial Fund	1,790			1,790
Cheerleaders	1,052	14,987	12,234	3,805
China Trip		2,000		2,000
 Choir		 350		 350
Class of 91 Scholarship Fund	6,777		1,000	5,777
Close-up	18	118	118	18
College testing	1,603	12,122	11,206	2,519
Community of Caring	83			83
 Cross Country Camp	 3,217	 3,513	 4,485	 2,245
Diversity is Good	45	500	34	511
Dixit	10,612	45,904	47,676	8,840
Drama	1,034	1,331	393	1,972
Drama and Musical	1,079	21,386	22,465	
 English	 702		 81	 621
Fees and Fines	1,224	7,053	6,842	1,435
Football Preseason Camp	32	12,234	12,226	40
Flower Fund - HS	527	325	305	547
French	1,450	491	585	1,356
 Fund raiser	 4,352	 5,309	 7,041	 2,620
Germany Trip		7,000	4,990	2,010
V Hoisington Music Fund	28,103	1,433	4,477	25,059
Hockey	6,385	1,994	7,580	799
Honor Society	2,616	488	1,475	1,629

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
High School (Continued):				
Invitational Boys	\$ 11,204	\$ 18,752	\$ 17,321	\$ 12,635
Invitational Girls	6,513	5,511	5,628	6,396
Japan trip	614	387	895	106
Key Club	1,512	1,287	168	2,631
Media Center	201	263		464
 MHSAA Tourney	 18,774	 21,602	 33,507	 6,869
Myers Memorial	355			355
Newspaper	300	5,806	5,179	927
Notebooks - Science	13			13
Pals	219	828	290	757
 Photography	 61	 1,950	 2,001	 10
Jacob Pletl Fund	2,114			2,114
Physical Education	519	3,572	3,866	225
Post Prom	244	320	564	
Proud Sponsor Books	1,743	989	700	2,032
 Refresher	 8,013	 5,300	 5,346	 7,967
Refresher - Athletic	18,598	6,620	8,702	16,516
Revolving	2,826	5,489	5,983	2,332
Rowan Memorial Scholarship	14,059	720		14,779
Roy Swergfeger Memorial Fund	1,335			1,335
 School Store	 18,564	 31,260	 37,705	 12,119
Science Department	991	5,894	5,550	1,335
Senior Cap and Gown	517	336	428	425
Soccer Preseason Camp	1,238			1,238
Softball Preseason Camp	651			651
 SMART Program	 653		 132	 521
Spanish	4,790			4,790
Spanish - Dinero	97			97
Sports Weightlifters	3,237	3,216	5,923	530
State Meet Boys	1,022	1,883	1,156	1,749

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
High School (Concluded):				
State Meet Girls	\$ 2,790	\$ 564	\$ 1,813	\$ 1,541
Stratford Trip	263	3,350	3,613	
Student Council	10,189	6,544	5,401	11,332
Tech Club	1,145	492		1,637
TV 22 Viking Vision	5,628	24,883	22,532	7,979
Warner Scholarship Fund	7			7
Wrestling	172	1,717	1,371	518
Middle School:				
Activity Fund	2,500		2,000	500
Band	898	768	187	1,479
Book Club and Book Fair	227	2,823	2,962	88
Choral Music	1,676			1,676
ECO	404		222	182
PALS	849	158	30	977
Pep	814	139		953
Proud Sponsor Books	786	3,527	3,257	1,056
Revolving	151	30,437	30,336	252
School Fund	3,977	1,090	4,148	919
Science Olympiad	28	122	150	
Student Activities	1,221	7,191	2,695	5,717
Student Council	3,675	876	1,929	2,622
Teachers	1,649	202	838	1,013
Theatre Patrons	6,894	4,474	4,841	6,527
Vocational Education	189	383	443	129
Yearbook	278	14,152	13,780	650
Murphy:				
Book Fair	1,292	11,164	11,324	1,132
Donations and Scholarships	999		122	877
Field Trips	428	26,241	25,188	1,481
MOST	15,081	18,965	25,072	8,974
Music Boosters - Ice Cream Social	1,059	272	694	637

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Murphy (Concluded):				
Proud Sponsor Books	\$ 1,614	\$ 2,690	\$ 2,710	\$ 1,594
PTO Donations		2,430	1,688	742
Refresher	783	3,501	2,307	1,977
Revolving	1,416	7,875	7,055	2,236
Student Council	2,679	5,071	3,847	3,903
 Social Committee		1,016	400	616
Ralya:				
Box Top Account	2,178	2,164	1,840	2,502
Field Trips	2,514	30,484	28,947	4,051
Music Boosters - Ice Cream Social	1,677	600	1,115	1,162
Proud Sponsor Books	1,411	2,115	2,000	1,526
PTO	12,279	39,438	38,559	13,158
 Refresher	953	527	713	767
Revolving	4,857	18,837	13,863	9,831
RIF	8,767	11,253	11,837	8,183
Social Fund	2	787	749	40
Student Council	1	6	6	1
Wilkshire:				
Activity	1,002	3,761	1,490	3,273
Box Tops	1,301	290	328	1,263
Field Trips	2,274	5,805	4,412	3,667
Music Boosters - Ice Cream Social	212			212
Proud Sponsor Books	2,840	2,674	2,493	3,021
 PTO	6,350	10,731	8,652	8,429
Reading	4,417	12,873	14,420	2,870
Refresher	865	1,863	1,801	927
Meridian High School:				
Book Deposit	266			266
Cap and Gown	229	988	1,041	176
Contributions	1,000	980	75	1,905
ESL Activities/Yearbook	5,890		390	5,500
Fines & Fees		71		71

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Meridian High School (Concluded):				
Flower Fund	\$ 255	\$	\$	\$ 255
Junior Achievement	654	22	2	674
Refresher	6,724	2,077	3,084	5,717
Scholarship	9,085	2,092	2,029	9,148
Yearbook	372	1,513	1,625	260
Community Education:				
Gymnastics	54			54
Revolving	360			360
Administrators' Gift - Flower Fund	164			164
Bus Garage Refresher	686	710	847	549
District Beverage Support	2,396			2,396
Earth Day	364	505	500	369
Haslett Sec. Conference Fund	81	500	321	260
Revolving	260	129	262	127
Rotary Scholarship	3,000	2,540	1,540	4,000
Student Assistance Program	3,510			3,510
Teachers Conference	2,123	25,594	20,342	7,375
Employer retirement payable	103		94	9
Total	<u>\$ 404,416</u>	<u>\$ 712,409</u>	<u>\$ 724,456</u>	<u>\$ 392,369</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$8,250,000 Bonds issued February 1, 1999:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 40,000	\$ 173,456	\$ 173,456	2008	\$ 386,912
40,000	172,626	172,626	2009	385,252
45,000	171,796	171,796	2010	388,592
200,000	170,840	170,840	2011	541,680
505,000	166,540	166,540	2012	838,080
500,000	155,556	155,556	2013	811,112
495,000	144,681	144,681	2014	784,362
495,000	133,668	133,668	2015	762,336
490,000	122,530	122,530	2016	735,060
485,000	111,260	111,260	2017	707,520
480,000	100,105	100,105	2018	680,210
480,000	88,825	88,825	2019	657,650
475,000	77,425	77,425	2020	629,850
470,000	66,144	66,144	2021	602,288
470,000	54,981	54,981	2022	579,962
465,000	43,819	43,819	2023	552,638
465,000	32,775	32,775	2024	530,550
460,000	21,731	21,731	2025	503,462
455,000	10,800	10,800	2026	476,600
<u>\$ 7,515,000</u>	<u>\$ 2,019,558</u>	<u>\$ 2,019,558</u>		<u>\$ 11,554,116</u>

The above bonds have interest rates from 4.15% to 4.75%. The bond proceeds were used to refinance a portion of the 1996 bond issue and the remaining 1975 bond issue.

Original Issue	Amount Outstanding
\$ 4,990,000	\$ 4,255,000
<u>3,260,000</u>	<u>3,260,000</u>
<u>\$ 8,250,000</u>	<u>\$ 7,515,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$27,900,000 Bonds issued November 8, 2001:

Principal due May 1,	Interest due		Debt service requirement for the fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 675,000	\$ 114,300	\$ 114,300	2008	\$ 903,600
675,000	101,981	101,981	2009	878,962
675,000	89,325	89,325	2010	853,650
725,000	76,163	76,163	2011	877,326
725,000	61,663	61,663	2012	848,326
800,000	46,800	46,800	2013	893,600
	30,000	30,000	2014	60,000
	30,000	30,000	2015	60,000
	30,000	30,000	2016	60,000
	30,000	30,000	2017	60,000
	30,000	30,000	2018	60,000
	30,000	30,000	2019	60,000
	30,000	30,000	2020	60,000
	30,000	30,000	2021	60,000
	30,000	30,000	2022	60,000
1,200,000	30,000	30,000	2023	1,260,000
<u>\$ 5,475,000</u>	<u>\$ 790,232</u>	<u>\$ 790,232</u>		<u>\$ 7,055,464</u>

The above bonds have interest rates from 3.65% to 5.00%. The bonds were issued for the purpose of erecting, furnishing and equipping an addition and or additions to existing school buildings, acquiring and installing educational technology; constructing improvements to playgrounds and athletic fields; erecting, furnishing and equipping a swimming pool as an addition to the Haslett High School; remodeling and re-equipping existing pool areas for educational purposes and developing and improving sites.

Original Amount	Amount Outstanding
\$ 14,900,000	\$ 4,275,000
3,250,000	
<u>9,750,000</u>	<u>1,200,000</u>
<u>\$ 27,900,000</u>	<u>\$ 5,475,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$16,110,000 Bonds issued February 12, 2002:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,465,000	\$ 278,623	\$ 278,623	2008	\$ 2,022,246
1,440,000	250,055	250,055	2009	1,940,110
1,420,000	220,175	220,175	2010	1,860,350
1,235,000	190,000	190,000	2011	1,615,000
915,000	162,830	162,830	2012	1,240,660
895,000	142,243	142,243	2013	1,179,486
880,000	121,658	121,658	2014	1,123,316
855,000	100,978	100,978	2015	1,056,956
835,000	80,458	80,458	2016	995,916
820,000	60,000	60,000	2017	940,000
800,000	39,500	39,500	2018	879,000
780,000	19,500	19,500	2019	819,000
<u>\$ 12,340,000</u>	<u>\$ 1,666,020</u>	<u>\$ 1,666,020</u>		<u>\$ 15,672,040</u>

The above bonds have interest rates from 3.9% to 5.0%. The bond proceeds were used to refinance the 1992 bond issue and a portion of 1996 bond issue.

Original amount	Amount outstanding
\$ 13,710,000	\$ 9,940,000
<u>2,400,000</u>	<u>2,400,000</u>
<u>\$ 16,110,000</u>	<u>\$ 12,340,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$17,160,780 Bonds issued September 30, 2003:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,738,000	\$ 222,605	\$ 222,605	2008	\$ 2,183,210
1,794,000	193,771	193,771	2009	2,181,542
1,852,000	164,009	164,009	2010	2,180,018
1,913,000	133,284	133,284	2011	2,179,568
1,975,000	101,547	101,547	2012	2,178,094
2,040,000	68,782	68,782	2013	2,177,564
2,106,000	34,939	34,939	2014	2,175,878
<u>\$ 13,418,000</u>	<u>\$ 918,937</u>	<u>\$ 918,937</u>		<u>\$ 15,255,874</u>

The above bond has an interest rate of 3.318%. The bond proceeds were used to refinance existing borrowings from the Michigan School Bond Loan Program.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$11,840,000 Bonds issued May 26, 2005:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 35,000	\$ 280,313	\$ 280,313	2008	\$ 595,626
35,000	279,788	279,788	2009	594,576
35,000	279,263	279,263	2010	593,526
35,000	278,720	278,720	2011	592,440
35,000	278,151	278,151	2012	591,302
35,000	277,556	277,556	2013	590,112
875,000	276,944	276,944	2014	1,428,888
1,030,000	255,069	255,069	2015	1,540,138
1,100,000	229,319	229,319	2016	1,558,638
1,195,000	201,819	201,819	2017	1,598,638
1,290,000	171,944	171,944	2018	1,633,888
1,380,000	139,694	139,694	2019	1,659,388
1,475,000	105,194	105,194	2020	1,685,388
1,565,000	68,319	68,319	2021	1,701,638
1,650,000	35,063	35,063	2022	1,720,126
<u>\$ 11,770,000</u>	<u>\$ 3,157,156</u>	<u>\$ 3,157,156</u>		<u>\$ 18,084,312</u>

The above bonds have interest rates from 3.0% to 5.0%. The bond proceeds were used to refinance \$11,475,000 of 2001 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$9,080,000 Bonds issued February 16, 2006

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$	\$ 185,513	\$ 185,513	2008	\$ 371,026
	185,513	185,513	2009	371,026
	185,513	185,513	2010	371,026
	185,513	185,513	2011	371,026
	185,513	185,513	2012	371,026
	185,513	185,513	2013	371,026
	185,513	185,513	2014	371,026
	185,513	185,513	2015	371,026
	185,513	185,513	2016	371,026
	185,513	185,513	2017	371,026
55,000	185,513	185,513	2018	426,026
60,000	184,413	184,413	2019	428,826
60,000	183,213	183,213	2020	426,426
65,000	182,013	182,013	2021	429,026
65,000	180,713	180,713	2022	426,426
640,000	179,413	179,413	2023	998,826
1,940,000	166,613	166,613	2024	2,273,226
2,025,000	127,813	127,813	2025	2,280,626
2,080,000	87,313	87,313	2026	2,254,626
2,090,000	44,413	44,413	2027	2,178,826
<u>\$ 9,080,000</u>	<u>\$ 3,376,560</u>	<u>\$ 3,376,560</u>		<u>\$ 15,833,120</u>

The above bonds have interest rates from 4.0% to 4.25%. The bond proceeds were used to refinance \$8,550,000 of 2001 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2007**

\$266,756 Durant Bond – issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$	\$	2008	\$
14,846	3,887	2009	18,733
15,552	3,180	2010	18,732
16,293	2,439	2011	18,732
17,068	1,664	2012	18,732
93,752	32,108	2013	125,860
<u>\$ 157,511</u>	<u>\$ 43,278</u>		<u>\$ 200,789</u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the "State Aid Payments"). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's depository.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAM
JUNE 30, 2007

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. In September 2003, \$17,160,780 of bonds were issued specifically for repayment of existing borrowings under the Michigan School Bond Loan Fund. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
1992	\$ 1,123,900	\$ 21,833	\$ 1,145,733
1993	994,500	52,458	1,046,958
1994	965,000	73,873	1,038,873
1995	1,010,846	138,840	1,149,686
1996	929,747	258,628	1,188,375
1997	1,235,000	320,769	1,555,769
1998	1,528,127	410,278	1,938,405
1999	1,321,000	485,822	1,806,822
2000	1,087,000	570,656	1,657,656
2001	884,111	625,588	1,509,699
2002	838,000	597,304	1,435,304
2003	1,404,000	542,669	1,946,669
2004	1,833,000	146,451	1,979,451
2004 loan repayment	(13,321,231)	(3,839,549)	(17,160,780)
2005	1,910,583	88,474	1,999,057
2006		173,173	173,173
2007		209,362	209,362
Totals June 30, 2007	<u>\$ 3,743,583</u>	<u>\$ 876,629</u>	<u>\$ 4,620,212</u>

HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2007

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
2006	\$ 2,685,769	\$ 24,474	\$ 2,710,243
2007	<u>2,219,214</u>	<u>153,702</u>	<u>2,372,916</u>
Totals June 30, 2007	<u><u>\$ 4,904,983</u></u>	<u><u>\$ 178,176</u></u>	<u><u>\$ 5,083,159</u></u>

HASLETT PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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Steven B. Robbins
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David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 23, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of and for the year ended June 30, 2007, which collectively comprise Haslett Public Schools' basic financial statements and have issued our report thereon dated August 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Haslett Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Haslett Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Haslett Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Board of Education
Haslett Public Schools

August 23, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haslett Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Haslett Public Schools in a separate letter dated August 23, 2007.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



Lamonte T. Lator
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 23, 2007

Compliance

We have audited the compliance of Haslett Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Haslett Public Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Haslett Public Schools' management. Our responsibility is to express an opinion on Haslett Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Haslett Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Haslett Public Schools' compliance with those requirements.

In our opinion, Haslett Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Haslett Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Haslett Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Haslett Public Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Haslett Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated August 23, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Haslett Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the Board of Education
Haslett Public Schools

August 23, 2007

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costenaro & Ellis, P.C.

Certified Public Accountants

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2006	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
NSL - breakfast	10.553	061970 071970	\$ 16,353 15,229	\$ 	\$ 	\$ 1,618 15,229	\$ 1,618 15,229	\$
			31,582			16,847	16,847	
National School Lunch	10.555	061950 071950 061960 071960	44,789 44,137 84,947 85,797			4,968 44,137 9,766 85,797	4,968 44,137 9,766 85,797	
			259,670			144,668	144,668	
Total Child Nutrition Cluster			291,252			161,515	161,515	
Commodities: Food Distribution								
Entitlement	10.550		42,380			32,695	32,695	
Bonus			77			77	77	
			42,457			32,772	32,772	
Total U.S. Department of Agriculture			333,709			194,287	194,287	

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2006	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2007
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
A.B.E. Section 306	84.002	051120/6500055	\$ 18,259	\$ 2,013	\$ 18,259	\$ 2,013	\$	\$
		061120/6500055	31,241	3,579	31,241	3,579		
		061130/610166	130,000	18,414	130,000	18,414		
		061200/740001	6,000			5,998	5,998	
		071120/7500057	52,000			37,000	52,000	15,000
		061120/7500057	10,000			10,000	10,000	
		071130/710167	128,100			128,100	128,100	
			375,600	24,006	179,500	205,104	196,098	15,000
Title I	84.010	061530/0506	234,408	18,616	234,408	18,616		
		071530/0607	251,133			210,873	251,133	40,260
			485,541	18,616	234,408	229,489	251,133	40,260
Title II Part D	84.318	064290/0507	4,373	4,373	4,373	4,373		
		074290/0607	2,578				2,578	2,578
			6,951	4,373	4,373	4,373	2,578	2,578
Title V	84.298	070250/0607	595				595	595

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2006	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Education (Concluded):</u>								
Improving Teacher Quality	84.367	060520/0506 070520/0607	\$ 83,644 83,853	\$ 29,062	\$ 83,664	\$ 29,062 64,873	\$ 83,853	\$ 18,980
			167,497	29,062	83,664	93,935	83,853	18,980
Total passed through Michigan Department of Education			1,036,184	76,057	501,945	532,901	534,257	77,413
Passed through Lansing School District:								
Reading First Grant	84.357	072910/0607C	100,007				100,007	100,007
Passed through Ingham Intermediate School District:								
Individuals with Disabilities Education Act	84.173	060460/0506 070460/0607	15,871 18,736	15,871	15,871	15,871	18,736	18,736
Total passed through Ingham Intermediate School District			34,607	15,871	15,871	15,871	18,736	18,736
Total U.S. Department of Education			1,170,798	91,928	517,816	548,772	653,000	196,156
<u>U.S. Department of Health and Human Services</u>								
Passed through Ingham Intermediate School District Medicaid Outreach	93.778					17,407	22,260	4,853
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,504,507	\$ 91,928	\$ 517,816	\$ 760,466	\$ 869,547	\$ 201,009

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Haslett Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. CFDA # 84.010 was audited as the major program, representing 29% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 653,000
Special revenue fund	194,287
Medicaid outreach recorded as incoming transfer on funds financial statements	<u>22,260</u>
	<u><u>\$ 869,547</u></u>

6. Commodities were received from two sources.

Northern Warehousing	\$ 7,273
Great Lakes Cooperative	<u>25,499</u>
	<u><u>\$ 32,772</u></u>

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

➤ Material weakness(es) identified: _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2006.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 23, 2007

To the Board of Education
Haslett Public Schools
Haslett, Michigan

In planning and performing our audit of the financial statements of Haslett Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Haslett Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Haslett Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Haslett Public School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 23, 2007 on the financial statements of Haslett Public Schools. Our comments are summarized as follows:

New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15th day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and;
- Indicate if your organization has terminated (is no longer in business).

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008.

Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Haslett Public Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costeniser & Ellis, P.C.



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August 23, 2007

To the Board of Education
Haslett Public Schools
Haslett, Michigan

We have audited the financial statements of Client Name for the year ended June 30, 2007, and have issued our report thereon dated August 23, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Haslett Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Haslett Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Haslett Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Haslett Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Haslett Public School's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Haslett Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Haslett Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. In addition, certain fixed assets were originally recorded using external appraisers estimates. Certain allocations on the statement of activities are based on estimates. We evaluated the key factors and assumptions used to develop the balance of compensated absences and value of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the school district's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the school district, either individually or in the aggregate, indicate matters that could have a significant effect on the school district's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Education
Haslett Public Schools
Haslett, Michigan

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August 23, 2007

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Education and management of Haslett Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mamie Costeniser & Ellis, P.C.